

ANNE ARUNDEL COUNTY, MARYLAND
Annapolis, Maryland

REPORT ON SINGLE AUDIT
June 30, 2013

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**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Members of the County Council
The Honorable County Executive
Anne Arundel County, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the budgetary comparison for the General Fund, and the aggregate remaining fund information of Anne Arundel County, Maryland (the County), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 23, 2013. We did not audit the financial statements of the Anne Arundel County Community College, the Anne Arundel Economic Development Corporation, Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation, which represent 13 percent, 14 percent, and 13 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Anne Arundel County Community College, the Anne Arundel Economic Development Corporation, Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation, is based solely on the report of the other auditors. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of Anne Arundel Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as finding 2013-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Anne Arundel County, Maryland's Response to Finding

The County's response to the finding is identified in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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CliftonLarsonAllen LLP

Baltimore, Maryland
December 23, 2013

Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

The Honorable Members of the County Council
The Honorable County Executive
Anne Arundel County, Maryland

Report on Compliance for Each Major Federal Program

We have audited Anne Arundel County's (the County) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's financial statements include the operations of the Anne Arundel County Retirement and Pension System, the Anne Arundel County Board of Education, the Anne Arundel Community College, the Public Library of Annapolis and Anne Arundel County, the Anne Arundel Economic Development Corporation, Inc., the Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation which received federal awards (where applicable), and which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2013. We were separately engaged to perform and we have separately reported on the results of our audit of the Anne Arundel County Board of Education and the Anne Arundel County Retirement and Pension System. Anne Arundel Community College, the Public Library of Annapolis and Anne Arundel County, the Anne Arundel Economic Development Corporation, the Tipton Airport Authority and the Anne Arundel Workforce Development Corporation reported separately a schedule of expenditures of federal awards and engaged another auditor to perform an audit in accordance with OMB Circular A-133, where applicable.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 23, 2013, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Anne Arundel County Community College, the Anne Arundel Economic Development Corporation, Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation, which represent 13 percent, 14 percent, and 13 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Anne Arundel County Community College, the Anne Arundel Economic Development Corporation, Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation, is based solely on the report of the other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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CliftonLarsonAllen LLP

Baltimore, Maryland

March 21, 2014 except for the Schedule of Federal Awards
which is dated December 23, 2013

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Grant Title	CFDA number	Pass-through Grant number	Federal Expenditures
Corporation for National & Community Service			
Direct:			
Retired Senior Volunteer Program:			
Year ended December 31, 2012	94.002	09SRAMD002	\$ 38,463
Year ended December 31, 2013	94.002	09SRAMD002	18,758
Foster Grandparents Program:			
Year ended December 31, 2012	94.011	12SFAMD001	117,258
Year ended December 31, 2013	94.011	12SFAMD001	108,081
Total Corporation for National & Community Service			282,560
U.S. Department of Defense			
<u>Community Planning Assistance:</u>			
Fort Meade Region BRAC Planning	12.607	RA0622-10-02	467,938
Community Assistance (Sarah's House)	None	DACA-31-1-85-257	415,689
Manning Trial Reimbursement	99.999	None	52,757
Total U.S. Department of Defense			936,384
U.S. Department of Energy			
Energy Block Grant (ARRA)	81.128	DE-EE00000739	158,133
Total Department of Energy			158,133
U.S. Department of Housing & Urban Development			
Direct:			
<u>Community Development Block Grants:</u>			
2008-2009	14.218	B-08-UC-24-0010	110
2009-2010	14.218	B-09-UC-24-0010	21,902
2010-2011	14.218	B-10-UC-24-0010	117,602
2011-2012	14.218	B-11-UC-24-0010	423,487
2012-2013	14.218	B-12-UC-24-0010	1,601,094
<u>Emergency Shelter Grants:</u>			
2009	14.231	S-09-UC-24-0001	20,595
Continuum of Care Program:			
Arundel HOH/Community Housing	14.235	MD0238B3B030900	22,057
Arundel HOH/Fouse Ctr	14.235	MD0109B3B031003	5,236
Arundel HOH/Safe Haven I	14.235	MD0110B3B031003	17,841
Arundel HOH- WISH Program	14.235	MD0108B3B031003	8,557
Shelter Mental Health	14.235	MD0112B3B031003	34,963
Mental Health Agency	14.235	MD0105B3B031003	11,984
Anne Arundel Partnership	14.235	MD0107B3B031003	5,507
Samaritan Housing Program	14.235	MD0104B3B031001	8,146
Housing First Project	14.235	MD0257B3B031000	62,403
Annapolis Area Ministries	14.235	MD0106B3B031003	16,998
Arundel HOH/Fouse Ctr	14.235	MD0109B3B031104	123,290
Arundel HOH/Safe Haven I	14.235	MD0110B3B031104	43,656
Arundel HOH- WISH Program	14.235	MD0108B3B031104	35,894
Arundel HOH/Safe Haven II	14.235	MD0250B3B031102	57,225
Arundel HOH/Community Housing	14.235	MD0250B3B031002	44,843
Housing Commission Permanent	14.235	MD0113B3B031104	193,073
Shelter Mental Health	14.235	MD0112B3B031104	33,508

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Grant Title	CFDA number	Pass-through Grant number	Federal Expenditures
U.S. Department of Housing & Urban Development (cont.)			
Direct (cont.):			
<u>Emergency Shelter Grants (cont.):</u>			
Mental Health Agency	14.235	MD0105B3B031104	\$ 171,056
Anne Arundel Partnership	14.235	MD0107B3B031104	282,312
Sarah's House	14.235	MD0111B3B031104	329,983
Samaritan Housing Program	14.235	MD0104B3B031102	27,414
Housing First Project II	14.235	MD0271B3B031100	96,829
Annapolis Area Ministries	14.235	MD0106B3B031104	22,991
<u>HOPWA:</u>			
HOPWA 2010-2011	14.241	MD06H-10-F016	59,479
HOPWA 2011-2012	14.241	MD06H-11-F016	482,434
HOPWA 2012-2013	14.241	MD06H-12-F016	3,569
<u>HOME Investment Partnership Program:</u>			
2010	14.239	M-10-UC-24-0200	575
2011	14.239	M-11-UC-24-0200	380,727
2012	14.239	M-12-UC-24-0200	569,893
Total U.S. Department of Housing & Urban Development			5,337,233
U.S. Department of Justice			
Direct:			
Equitable Shared - Drug Enforcement Administration	16.000	MD 0020200	413,036
State Criminal Alien Assistance Program	16.606	2010-AP-BX-0135	121,399
Forensic Casework DNA Backlog 2010	16.743	2010-DN-BX-K126	71,377
Forensic Casework DNA Backlog 2011	16.743	2011-DN-BX-K435	3,264
Forensic Casework DNA Backlog 2012	16.743	2012-DN-BX-0031	15,846
Pass-through:			
Governor's Office of Crime Control & Prevention:			
Disproportionate Minority Contact	16.540	JJAC-2006-1035	71,867
Paul Coverdell Forensic Science	16.742	CFSI-2010-1004	59,020
Victim Witness Notification Specialists	16.575	VOCA-2011-1242	15,393
Victim Witness Notification Specialists	16.575	VOCA-201121342	66,900
BJAG Technology Enhancements	16.738	BJAG-2010-1113	35,972
BJAG Crime Analysts	16.738	BJAG-2010-1234	20,925
Danger Assessment Advocate	16.738	VAWA-2012-1674	44,000
<u>JAG Cluster:</u>			
Direct:			
Repeat Offender Crime Analyst	16.738	BJAG-2010-1272	31,181
Byrne Memorial Justice Grant	16.738	2009-DJ-BX-0361	6,804
Byrne Memorial Justice Grant	16.738	2010-DJ-BX-0804	13,109
Byrne Memorial Justice Grant	16.738	2011-DJ-BX-3404	30,582
Byrne Memorial Justice Grant	16.738	2012-DJ-BX-1084	180,650
Byrne Memorial Justice Grant (ARRA)	16.804	BJAG-2009-1034	24,829
Total JAG Cluster			287,155
Total U.S. Department of Justice			1,226,154

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Grant Title	CFDA number	Pass-through Grant number	Federal Expenditures
U.S. Department of Agriculture			
Pass-through:			
Maryland State Health Department:			
Special Supplemental Food Program for Women, Infants and Children - 2012	10.557	WI174WIC	\$ 1,307,953
Pass-through:			
Maryland State Department of Human Resources:			
Emergency Food Assistance Program: Food Bank (TEFAP)	10.568	OGM/FNS09-002	22,281
Total U.S. Department of Agriculture			<u>1,330,234</u>
U.S. Department of Commerce			
Pass-through:			
Department of Natural Resources			
Jug Bay Sanctuary Enhancements - Marsh Boardwalk	11.420	14-11-1398-CBR096	8,496
Total U.S. Department of Commerce			<u>8,496</u>
U.S. Environmental Protection Agency			
Pass-through:			
Maryland Department of the Environment:			
Capitalized Grants for State Revolving Funds	66.468	DL3478D, DL3428D	1,973,148
Total U.S. Department of the Environment			<u>1,973,148</u>
U.S. Department of Homeland Security			
Direct:			
Port Security Program (ARRA)	97.116	2009-PUR10158	4,890
Marley Fire Station replacement (ARRA)	97.115	EMW-2009-FC-04550R	94,325
Pass-through:			
Maryland State Emergency Management Agency:			
FEMA Storm Reimbursement - Hurricane Sandy	97.036	FEMA DR 4091	689,161
Port Security Program	97.056	2007-GB-T7-K312	96,663
Emergency Management Performance Program	97.042	EMW-2012-EP-00005-S01	187,626
Emergency Management Support 2010	97.008	2010-SS-T0-0025	28,118
Emergency Management Support 2011	97.008	EMW-2011-SS-00044-S01-UAS	39,846
Homeland Security Volunteer Mobilization	97.008	2010SS-T0-0025 UASI	16,224
State Homeland Security Program	97.067	2010-SSTO-0025	409,281
UASI- Sheltering	97.008	2010-SS-T0-0025	15,054
UASI- MCCU Vehicle Maintenance 2010	97.008	2010-SS-T0-0025	17,189
UASI- MCCU Vehicle Maintenance 2011	97.008	EMW-2011-SS-00044-S01-UAS	8,892
UASI- Incident Management Training 2010	97.008	2010-SS-T0-0025	16,029
UASI- Incident Management Training 2011	97.008	EMW-2011-SS-00044-S01-UAS	45,144
UASI- Hazardous Material Support	97.008	2010-SS-T0-0025	49,020
UASI- Hazardous Material Support	97.008	EMW-2011-SS-00044-S01-UAS	4,117
UASI- Closed Circuit Television 2010	97.008	2010-SS-T0-0025	152,575
UASI- Closed Circuit Television 2011	97.008	EMW-2011-SS-00044-S01-UAS	204
UASI- Conference	97.008	2010-SS-T0-0025	6,486
UASI- Ambulance Buses	97.008	EMW-2011-SS-00044-S01-UAS	16,291
Hazard Mitigation	97.008	PDMC-PL-03-MD-2009-006	1,853
UASI- Ambulance Bus Cardio Equipment	97.008	2010SS-T0-0025 UASI	80,600
UASI- Tactical Equipment 2010	97.008	2010-SS-T0-0025	61,191
UASI- Tactical Equipment 2011	97.008	EMW-2011-SS-00044-S01-UAS	8,789
UASI- Tech Training WEB EOC 2010	97.008	2010-SS-T0-0025	30,563
UASI- Tech Training WEB EOC 2011	97.008	EMW-2011-SS-00044-S01-UAS	5,935
UASI-BRAC Planning	97.008	2010-SS-T0-0025	91,266
Citizens Corps/Cert Grant	97.067	EMW-2011-SS-00044-S01-CC	6,134
Total Department of Homeland Security			<u>2,183,466</u>

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Grant Title	CFDA number	Pass-through Grant number	Federal Expenditures
U.S. Department of Health & Human Services			
Direct:			
Drug Free Communities Support Program			
2010	93.276	5H79SP013459-07	\$ 25,507
2011	93.276	5H79SP013459-08	80,852
Child Support Enforcement:			
Child Support Enforcement 2012	93.563	CSEA/CRA 12-032	148,180
Child Support Enforcement 2013	93.563	CSEA/CRA 13-032	550,946
Sheriff's Incentive Grant	93.563	CSEA-Incentive	2,411
Pass-through:			
Maryland State Office on Aging:			
Preventive Health Services (IIID)	93.043	AAA-3-24-002	24,461
National Family Care Giver (IIIE)	93.052	324-AAA-001	191,036
<u>Aging Cluster:</u>			
Legal Aid Bureau III B	93.044	AAA-3-24-002	40,000
Telephone Reassurance - IA	93.044	AAA-3-24-002	9,165
Nutrition Services Incentive	93.053	ST-2505-02	154,351
Friendly Visiting T-III B	93.044	AAA-3-24-002	18,810
Senior Care Title III-B	93.044	AAA-3-24-002	75,842
Nutrition IIIC	93.045	ST-2502-002	608,178
Home Delivery of Meals Title III C-2	93.045	ST-2503-002	274,914
Total Aging Cluster			1,181,260
Curb Abuse of Medicare & Medicaid	93.779	ST-2515-002	38,412
Ombudsman / Elder Abuse Title VII	93.042	AAA-3-24-002	46,105
Public Relations/Administration - IIIB	93.048	AAA-3-24-002	254,476
Chronic Disease Self Management (ARRA)	93.725	ST-2508.002	3,285
Friends of the Family:			
Maryland Family Network	93.590	MOU	23,558
Pass-through:			
Maryland State Dept. of Health and Mental Hygiene:			
PHP: Planning & Readiness	93.283	CH809PHP	377,345
PHP: Cities Readiness Initiative	93.283	CH809PHP	104,551
Planning & Readiness - PHEP Supplement	93.283	PR026PHP	117,569
Diag. & Tmt of B & CC	93.283	FH425CBC	204,058
Healthy Start	93.778	MA390HSP	200,000
Administrative Care Coordinator	93.778	MA007EPS	193,879
PWC/MD Kids Ct	93.778	MA281ACM	500,133
M/A General Transportation	93.778	MA344GTS	969,073
Ryan White II-Consortia	93.917	AD421RWS	331,232
HYTA Clinical Services	93.217	FH117FPG	103,041
School Health Targeted	93.994	CH553CFT	381,175
Children with Special Needs	93.994	4417	21,665
Immunization Service Delivery	93.268	CH358IMM	114,700
HIV Partner Notification	93.940	AD661HPS	11,050
Local Prevention Initiatives	93.940	AD349PRV	159,056
Ryan White I, (Assoc Black Charities)	93.914	13-2403-46S	233,907
No Wrong Door - SAM/SHA	93.959	AD677NWD	46,081
Addictions Prevention	93.959	MU611ADP	277,840
Addictions Federal Treatment	93.959	AS213FED	1,894,945

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Grant Title	CFDA number	Pass-through Grant number	Federal Expenditures
U.S. Department of Health & Human Services (Cont.)			
Pass-through:			
Maryland State Dept. of Health and Mental Hygiene (Cont.):			
Maryland Million Hearts	93.991	FHC25MMH	\$ 137,678
WIC Training Grant	10.557	WI871TRN	448,376
WIC Breastfeeding	10.557	WIB34BPC	67,227
Personal Responsibility Education Program	93.092	FHB76PRE	37,000
Breast & Cervical Cancer Supplement	93.744	FHC37BCC	4,518
TB Control	93.116	CH391TBC	2,000
Maryland Strategic Prevention Planning	93.243	MU214SPF	33,400
Access to Recovery	93.275	AS215ATR	49,307
Sexually Transmitted Diseases	93.977	CH033STD	25,750
Total U.S. Department of Health and Human Services			<u>9,617,045</u>
U.S. Department of Labor			
Pass-through:			
Maryland Department of Labor, Licensing & Regulations:			
WIA Cluster:			
WIA Title 1 Grant: Youth	17.258	P00B3200021	741,434
WIA Title 1 Grant: Adult	17.259	P00B3200021	655,020
WIA Title 1 Grant: Dislocated Worker	17.278	P00B3200021	833,268
Total WIA Cluster			<u>2,229,722</u>
Total Department of Labor			<u>2,229,722</u>
U.S. Department of Transportation			
Pass-through:			
Maryland Department of Transportation:			
2012 Community Traffic Safety	20.601	12-163	50,184
2013 Community Traffic Safety	20.601	13-135	46,977
Pass-through:			
State Highway Administration:			
Londontown Historic Site	20.205	TEA21 MOU	307,389
Dicus Mill/Severn Run	20.205	BRO-1(766)E	511,837
Road Reconstruction (ARRA)	20.205	AA769ZM1	430,646
Pass-through:			
Mass Transit Administration:			
Federal Transit Formula	20.507	MD-95-0008	193,397
Pass-through:			
Baltimore Metropolitan Council:			
UPWP Federal Transit Metro Planning 12	20.505	BMC & AACO	284,738
UPWP Federal Transit Metro Planning 13	20.505	BMC & AACO	202,456
Pass-through:			
Motor Vehicle Administration:			
Motor Carrier Assistance Program	20.218	MOU	5,561
Bike Safety Maryland	20.601	13-164	2,980
Total Department of Transportation			<u>2,036,165</u>
U.S. Executive Office of the President			
Pass-through:			
University of Maryland, College Park:			
High Intensity Drug Trafficking Area	95.001	Z992302	154,032
Total U.S. Executive Office of the President			<u>154,032</u>
Total Federal Expenditures			<u><u>\$ 27,472,772</u></u>

The accompanying notes are an integral part of this schedule.

ANNE ARUNDEL COUNTY, MARYLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

NOTE 1 – SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All federal award programs operated by Anne Arundel County, Maryland, are included in the scope of the OMB Circular A-133 audit. Federal awards of the Anne Arundel County Retirement and Pension System, the Anne Arundel County Board of Education, the Anne Arundel Community College, the Public Library of Annapolis and Anne Arundel County, the Anne Arundel Economic Development Corporation, Inc., the Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation, component units, are not included in the Schedule of Federal Awards. Compliance testing of all applicable compliance requirements, as described in the Office of Management Budget's Compliance Supplement for A-133, was performed for all major programs

NOTE 2 – FISCAL PERIOD AUDITED

Single audit testing procedures were performed for transactions occurring during the fiscal year ended June 30, 2013.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available as net current assets. Grant revenues recorded in Governmental Funds are recognized as revenue in the accounting period during which the expenditure is made.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A133, audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 4 – CATEGORIZATION OF EXPENDITURES

The categorization of expenditures by program included in the Schedule of Expenditures of Federal Awards is based on the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based on revisions to the CFDA, which are issued in June and December of each year. In accordance with the County's policy, the Schedule of Expenditures of Federal Awards for the year ended June 30, 2013, reflects CFDA changes issued through June 2013.

NOTE 5 – NONCASH ASSISTANCE

The County receives food commodities from the Federal Government. During the year ended June 30, 2013, the fair market value of the commodities received was estimated at \$738,212 wholesale value. These commodities are delivered to the Anne Arundel County Food Bank, Inc., an independent organization, which is responsible for distributing the food to eligible County residents. This amount is not included in the Schedule of Expenditures of Federal Awards.

ANNE ARUNDEL COUNTY, MARYLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

NOTE 5 – NONCASH ASSISTANCE (CONTINUED)

Distribution costs related to the program were paid by the County and reimbursed by the Federal Government. These costs totaled approximately \$22,300 during the year ended June 30, 2013, and have been included in the Schedule of Expenditures of Federal Awards.

NOTE 6 – REVOLVING LOAN PROGRAM

The County participates in the Environmental Protection Agency's Capitalization Grants for State Revolving Funds loan program (federal catalog number 66.458). The amount due to the State of Maryland under this program as of the beginning of the year ended June 30, 2012, was approximately \$26,739,900 and current year activity was a net increase to the revolving loan program of approximately \$17,258,300 resulting in a balance due to the State of Maryland as of June 30, 2013 of approximately 44,098,200.

NOTE 7 – MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE

The Maryland State Department of Health and Mental Hygiene pays expenses for employee salaries and employee benefits for certain county programs. The County records these amounts on the Schedule of Expenditures of Federal Awards and in its basic financial statements to fully reflect the operations of these programs.

ANNE ARUNDEL COUNTY, MARYLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

NOTE 8 – SUBRECIPIENTS

Of the federal expenditures presented in the accompanying schedule, the County provided federal awards to subrecipients as follows for the year ended June 30, 2013:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Fort Meade Region BRAC Planning	12.607	\$ 311,273.81
Community Development Block Grants:	14.218	
2008-2009		109.79
2009-2010		21,901.71
2010-2011		117,602.15
2011-2012		423,487.36
2012-2013		1,601,094.32
Emergency Shelter Grants:	14.231	
2009		20,595.15
Continuum of Care Program:	14.235	
Arundel HOH/Community Housing		22,056.60
Arundel HOH/Fouse Ctr		5,235.85
Arundel HOH/Safe Haven I		17,840.78
Arundel HOH- WISH Program		8,557.09
Shelter Mental Health		34,963.02
Mental Health Agency		11,984.03
Anne Arundel Partnership		5,506.64
Samaritan Housing Program		8,146.38
Housing First Project		62,402.55
Annapolis Area Ministries		16,997.94
Arundel HOH/Fouse Ctr		123,289.82
Arundel HOH/Safe Haven I		43,656.15
Arundel HOH- WISH Program		35,893.53
Arundel HOH/Safe Haven II		57,225.00
Arundel HOH/Community Housing		44,843.00
Housing Commission Permanent		193,073.15
Shelter Mental Health		33,508.01
Mental Health Agency		171,056.00
Anne Arundel Partnership		282,312.44
Sarah's House		329,983.00
Samaritan Housing Program		27,413.73
Housing First Project II		96,829.06
Annapolis Area Ministries		22,990.81
HOME Investment Partnership Program:	14.239	
2010		575.00
2011		380,726.65
2012		569,893.00
HOPWA:	14.241	
HOPWA 2010-2011		59,479.20
HOPWA 2011-2012		482,434.43
HOPWA 2012-2013		3,568.66
WIA Title 1 Grant: Youth	17.258	741,434.00
WIA Title 1 Grant: Adult	17.259	655,020.00
WIA Title 1 Grant: Dislocated Worker	17.278	833,268.00
Community Assistance (Sarah's House)	None	415,689.14
Total		\$ 8,293,916.95

ANNE ARUNDEL COUNTY, MARYLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

**NOTE 9 – RELATION TO GENERAL PURPOSE FINANCIAL STATEMENTS AND
FINANCIAL FEDERAL REPORTS**

The following schedule reconciles the amount per the financial statements to the amounts per the Schedule of Expenditures of Federal Awards for the year ended June 30, 2013:

	<u>Total</u>
BALANCE PER GENERAL LEDGER	
Federal Expenditures	\$ 29,385,343
Less: Medicaid Expenditures, Patient Care Portion	<u>1,912,571</u>
TOTAL PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	<u><u>\$ 27,472,772</u></u>

This information is an integral part of the accompanying schedule.

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section I. – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(ies) identified that are not
considered to be material weaknesses? X yes _____no
- Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(ies) identified that are not
considered to be material weakness(es)? _____yes X no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of OMB Circular A-133? _____yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Block Development Grant
66.468	Capitalized Grants for Drinking Water
10.557	WIC Special Supplemental Food
14.239	HOME Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs: \$ 824,183

Auditee qualified as low-risk auditee? X yes _____no

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ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

Cause

Significant financial data is prepared or compiled by departments other than the Office of Finance. The departments preparing or compiling financial data outside of the Office of Finance display inadequate review of transactions and insufficient internal controls to identify errors timely

Effect

If these deficiencies are not corrected, the County has a continued risk that material misstatements and errors and irregularities, including fraud, could go undetected.

Recommendation

We understand that DPW and the Office of Finance work together to perform an annual review of this information. However, given the volume, complexity, and inherent lack of automated controls, an annual review is not sufficient to detect errors and misstatements on a timely basis. We recommend that management implement more frequent review procedures, including verifying the accuracy of the data, as well as reconciling revenue recorded to the underlying permitting data maintained by the DPW, in order to make this review more manageable and effective.

Management's Response

The auditors correctly note that data management needs in the DPW Bureau of Utilities are voluminous, complex, and lack automation in some cases. The Office of Finance will work with DPW to refine and strengthen the current procedures and current review structure and add additional review and enhancements, where necessary, to both ensure complete and accurate information is obtained and reduce the possibility of errors. The Office of Finance also agrees to cooperate with DPW to pursue technology advancements, where available, to the extent that funding is made available to procure such advancements.

Section III. – Federal Award Findings and Questioned Costs

None noted.

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013

No prior year findings